



(ETR: ADS) 2Q17 Results: Company Raises Guidance Thanks to Strong Results

Figure 1. Adidas 2Q17 Key Metrics

	2Q17	2Q16	YoY Change
Revenues (€ Mil.)	€5,038	€4,199	20.0%
Gross Margin	50.1%	49.4%	70 bps
SG&A/Sales	41.1%	43.7%	(250) bps
Operating Margin	10.0%	10.2%	(20) bps
Adjusted EPS (€)	€1.70	€1.47	16.2%

Source: Company reports/FGRT

- As announced preliminarily last week, Adidas reported stronger-than-expected revenue and profit growth for 2Q17. Revenues were up 20%, to €5,038 million. Revenues were up 19% on a constant-currency basis. EBIT grew by 18% and net income from continuing operations grew by 16%, to €347 million.
- All regions with the exception of Russia/CIS saw strong revenue growth on a currency-neutral basis, with Greater China up 28%, North America up 26% and Western Europe up 19%.
- Adidas raised its guidance for FY17 currency-neutral revenue growth to 17%–19% from 12%–14% previously. The company raised its guidance for net income to 26%–28% growth from 13%–15% previously.

2Q17 Results

Adidas reported consensus-beating figures for 2Q17, with revenues up 19% year over year on a currency-neutral basis and up 20% year over year in euro terms, to €5,038 million. The consensus estimate—which, like all consensus figures quoted in this section, was collated prior to the company’s preliminary results announcement [last week](#)—called for revenue of €4,951 million.

The company’s EBIT grew by 18% year over year, to €505 million, versus consensus of €430 million. Net income from continuing operations grew by 16%, to €347 million, versus the consensus estimate of €298 million.

Sales for the Adidas and Reebok brands increased by 21% and 5%, respectively, during the quarter. Adidas Neo, Adidas Original and the Adidas brand running category performed strongly in the period. The Reebok Classics line also saw double-digit sales growth.

Performance by Region

On a currency-neutral basis, all regions except Russia/CIS saw double-digit growth during 2Q17, with revenues up 28% in Greater China, 26% in North America and 19% in Western Europe. In the Russia/CIS region, sales declined by 11% due to challenging consumer sentiment and additional store closures during the period.



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1H17 Results

For 1H17, the company's revenue increased by 18% year over year on a currency-neutral basis and by 20% in euro terms, to €10.5 billion. Operating profit grew by 20%, to €1.1 billion, and net income from continuing operations grew by 21%, to €809 million.

Outlook

Adidas increased its guidance for FY17 thanks to the strong financial performance recorded in the first half of the year. The company now expects its currency-neutral sales to grow by 17%–19%, versus 12%–14% previously. The company expects operating profit to increase by 24%–26%, versus 13%–15% previously. Adidas expects net income from continuing operations to grow by 26%–28% in FY17, to €1.36–€1.39 billion, versus previous guidance of 13%–15% growth.

The FY17 revenue consensus estimate stands at €22,033 million, implying annual reported year-over-year growth of 14% in euro terms. Consensus expects Adidas to generate operating profit of €1,852 million, implying year-over-year growth of 24%. Consensus calls for FY17 EPS of €6.41, implying 26% year-over-year growth.



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